

The logo for K&L GATES, featuring the company name in white, uppercase letters on an orange rectangular background.

K&L GATES

Everything You Always Wanted To Know About Brexit (But Were Afraid To Ask)

The image features a blue bokeh background with a central orange band. The bokeh consists of numerous out-of-focus light spots in various shades of blue and white, creating a shimmering effect. The orange band is a solid, horizontal strip that spans the width of the image, positioned in the middle. The word "WHAT?" is written in white, bold, uppercase letters, centered within the orange band.

WHAT?

WHAT IS BREXIT?

- A new, ultra-healthy, high fibre breakfast cereal?
- A British Rail train's emergency evacuation door?
- Something else more interesting?

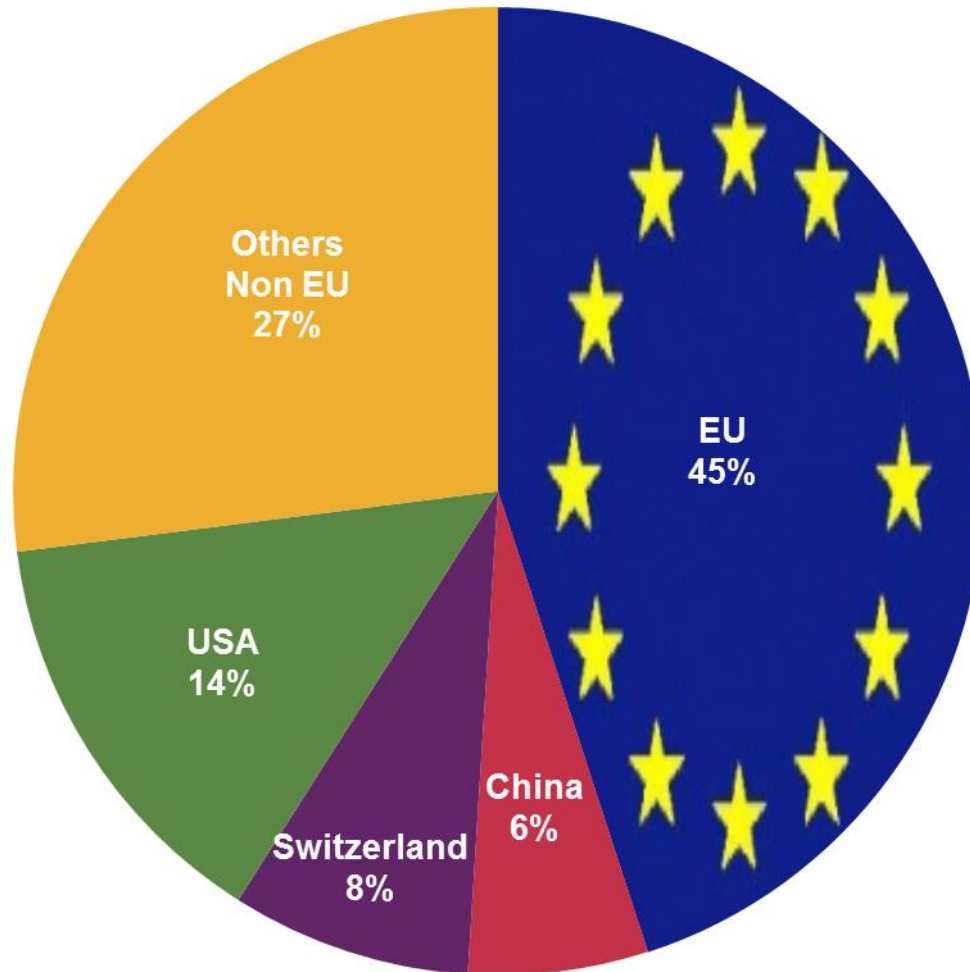
WHAT IS BREXIT?

The possible withdrawal of the UK from the European Union, following an OUT vote by the British public in a Referendum.

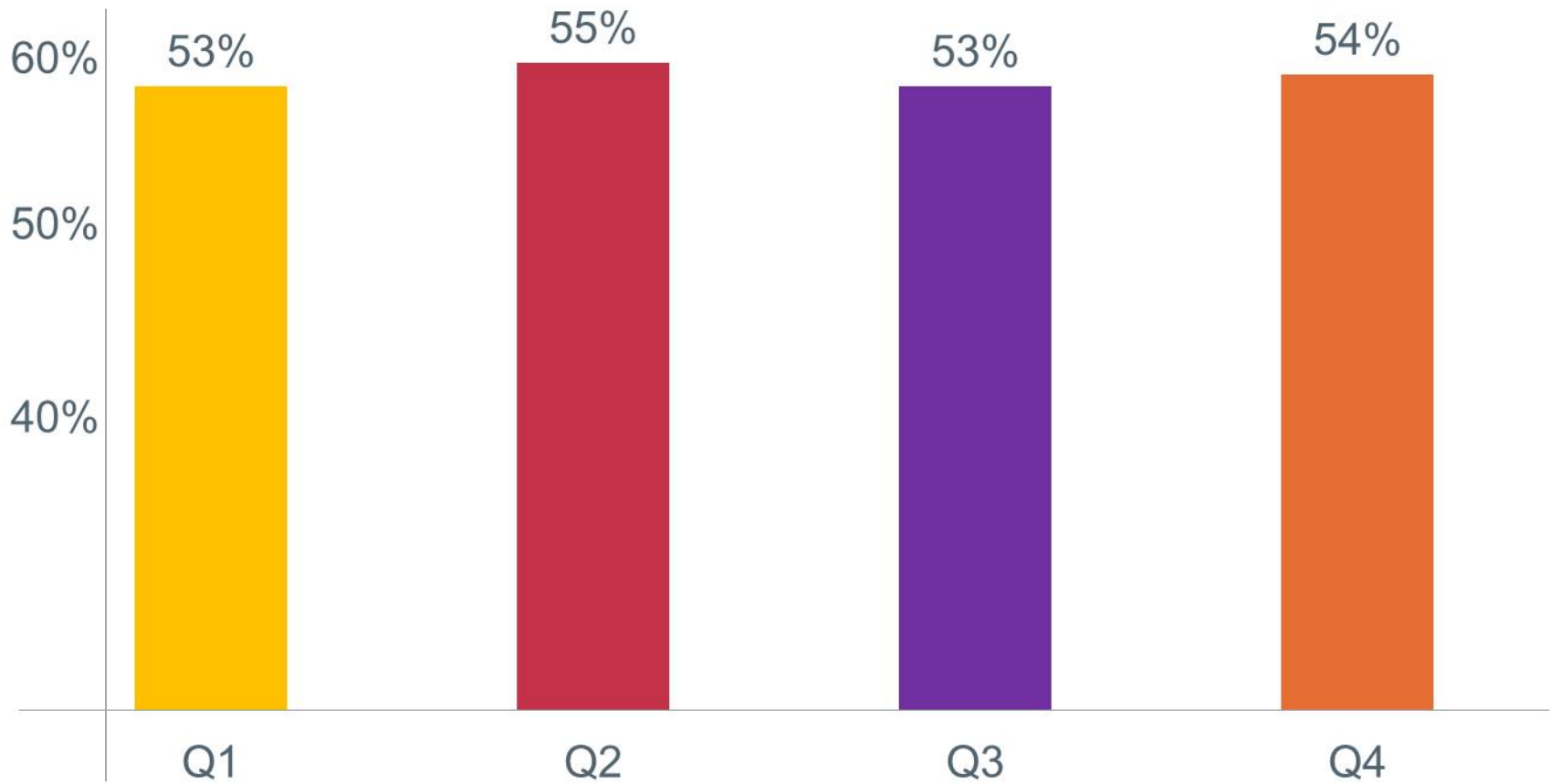
WHAT IS THE EUROPEAN UNION?

- A “club with benefits”
- An economic and political union of 28 countries
- Operating as a single internal market based on the **FOUR FREEDOMS**
 - some but not many of which share a language:
 - Free movement of **GOODS**
 - Freedom to provide **SERVICES**
 - Freedom of movement for **WORKERS**
 - Free movement of **CAPITAL**
- Population: around 510 million
- Economy: around € 14.5 trillion (IMF)

UK EXPORTS 2015 (HMRC)



UK IMPORTS FROM EU 2015 (HMRC)



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WHY?

WHY WILL THERE BE A REFERENDUM?

- Conservative Party Manifesto pledge in run-up to May 2015 General Election
- Growing pressure since 2012
- Surprise outright majority for Conservatives (replacing former Coalition Government)
- Referendum to remain in EU in 1975

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WHEN?

WHEN WILL THE REFERENDUM HAPPEN?

- Before end of 2017
- BUT expected much earlier
 - Referendum Act passed in Parliament in December 2015
 - Prime Minister hoping to conclude “renegotiation” by end February 2016
 - 16 weeks’ notice required
- Earliest feasible date: June 2016
- Other options: September / October 2016

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HOW?

HOW MIGHT BEXIT HAPPEN?

- Recent polls indicate a very CLOSE call
 - 42% REMAIN 41% LEAVE (ICM)
- Importance of Cameron's ongoing "renegotiation" on 4 key issues:
 - Economic governance: recognition of multiple currencies
 - Competitiveness: reduce regulatory burden
 - Sovereignty: move away from "ever closer union"
 - Immigration: reduced benefits for migrant workers

HOW MIGHT IT HAPPEN? (PART 2)

- LEAVE (or Out) vote gives UK Government a mandate to negotiate a withdrawal
- NO AUTOMATIC exit or expulsion
- Article 50 notice starts a process with TWO year time limit (unless extended by agreement)
- No relevant precedents for withdrawal

THE IMMEDIATE AFTERMATH



THE IMMEDIATE AFTERMATH (PART 2)

“The fallout would be more acute in the short run, in our view, because markets would anticipate the difficult adjustments to come and would be uncertain over what arrangements would replace EU membership...”

(Bank of America Merrill Lynch)

THE IMMEDIATE AFTERMATH (PART 3)

- Solutions likely to be found, but only after lengthy, complex and uncertain process
- “Norway” model (European Economic Area)
BUT: subject to EU regulation
without a seat at table
- “Swiss” model (European Free Trade Association)
BUT: open borders
services and financial sectors EXCLUDED

CONCLUSION

- UNCERTAINTY in run-up to Referendum
- UNCERTAINTY as to the result
- UNCERTAINTY as to short-term impact of a LEAVE vote
- UNCERTAINTY as to longer-term effect of life outside EU



HOW WE CAN HELP



HOW WE CAN HELP

For further information and advice, please e-mail Brexit@klgates.com.

If you would like to be added to our database for Brexit Briefings and events, please also e-mail us to that effect at Brexit@klgates.com.

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